



STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
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JACK A. MARKELL
STATE TREASURER

PHONE: 302-672-6700
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October 9, 2007

Re: New 403(b) Insurance Rules Effective September 24, 2007

Dear State of Delaware Employee:

In an effort to keep you informed about changes in federal law and as a follow up to our advisory letter on September 12, 2007, we are writing to inform you that the federal tax law has changed with respect to life insurance rules for 403(b) or Tax Sheltered Annuity Plans (for teachers, educators and other eligible employees). If you are participating in a 403(b) plan, please be aware that beginning September 24, 2007, new federal rules prohibit the purchase of life insurance contracts under a 403(b) plan. We have recently written to all 403(b) vendors doing business with the State of Delaware to confirm their adherence to these new policies. Life insurance contracts that were purchased before September 24, 2007 are "grandfathered" under the federal law, which means that they do not need to be liquidated and can continue to be held under the 403(b) plan. However, these existing life insurance policies can only allow incidental death benefits. The incidental death benefit rules limit the total amount of 403(b) plan assets that can be invested in life insurance.

To determine if you are currently investing in a life insurance contract, please contact your vendor directly. If you have any other questions, feel free to call me at (302) 672-6705 or email me at Leighann.Hinkle@state.de.us.

Sincerely,

A handwritten signature in black ink that reads "Leighann N. Hinkle".

Leighann N. Hinkle
Director, Defined Contribution Plan